

IN THE
United States
Circuit Court of Appeals,
FOR THE NINTH CIRCUIT.

Cinema Patents Company, Inc., a corporation,

Appellant,

vs.

Columbia Pictures Corporation, a corporation, and William Horsley Film Laboratories, Inc., a corporation,

Appellees.

BRIEF FOR APPELLEES.

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Corporation and William Horsley Film Laboratories Inc., Columbia Pictures Corporation being the owner of all the stock of the Wm. Horsley Film Laboratories. The bill charges infringement of two patents, to-wit, the Thompson patent No. 1,281,711 and the Gaumont patent No. 1,177,697, both addressed to film processing machines.

The charge of infringement is particularly directed to the use by defendants (the appellant and appellees are hereinafter referred to as plaintiff and defendants respectively) of two film processing machines in the Horsley Laboratories in Hollywood. These machines were installed and placed in operation in the Horsley Laboratories by the predecessor in interest of the present plaintiff under a certain "License Agreement," dated the 26th day of June, 1925. Subsequently, by assignment, the plaintiff acquired ownership of the patents named in the license as well as the license agreement.

The license agreement is in usual form, providing payment by the licensee for the machines to be charged against royalties, the payment of royalties to continue for the life of the patents (six in number), forming the basis of the license agreement. [R. pp. 23 to 33.]

This license agreement remains in force and effect.

The plaintiff by a suit filed in the Superior Court of California, at Los Angeles, prior to the filing of the present suit for infringement and as yet not having come on to be heard, prays the Court that defendant (appellee here) account to plaintiff for all photographic film developed, processed or treated in and by the said two machines and to "declare the license agreement terminated." [R. p. 46.]

Defendants have performed under the license and made accounting and paid royalty as therein provided until the present controversy, and have since offered both accounting and payment.

In the report of the Special Master, at page 122 of the Record, he stated:

“The facts which are not in dispute are as follows:

On June 26, 1925 an agreement—Defendants’ Exhibit A, was entered into between the Chester Bennett Film laboratories, a Corporation, Frederick B. Thompson, Grace Seine Thompson of one party and William Horsley Laboratories, Inc. of the other party, whereby for a consideration the parties first mentioned agreed to install two motion picture film developing machines in the laboratory of the other party, and further granting a license to use the invention of several patents including, among others, the patents in suit and any future patents for improvements on the subject matter of the patents. The contract provided for the payment of certain rentals and royalties.”

This is followed by the statement that the two machines were installed under the license agreement, that the rollers on one of them were changed by the licensee to accommodate a different width of film and an additional developer tank placed on one of the machines.

One of the acts of infringement charged was the machining of the grooves in the rollers in one or both of the machines so that it could handle film of 16 millimeter width as well as standard film of 35 millimeter width, and the other act was in constructing upon one of the machines an additional developer tank and then using it for developing negative film; the latter act of adding a developer

tank to one machine being the sole act of defendants now urged by plaintiff as an infringement.

Defendants set up the license agreement as a complete defense to the charge of infringement, that the acts complained of come within the terms of the license agreement, and, further, that the licensors have acquiesced in the alleged wrongful acts of the licensee.

In the opinion of Judge James [R. p. 131], at the bottom of page 132 of the Record, the lower court found that:

“In order to better handle negative film, the licensee installed on one machine an additional tank to hold developing fluid and necessary rollers and gears to carry the film through such additional tank. It is because of this act that infringement is charged. *The licensee did not reconstruct any of the principal parts of the machine nor alter its method of operation.*” (Italics ours.)

And on page 133 found as its conclusion the following:

“My conclusion is, after an examination of the record, that the license agreement authorized the use of two machines in the processing of films in any way so long as that use was within the description of the invention as disclosed by the patents which were referred to in the agreement. It follows that the acts of the defendants did not constitute infringement.”

The question before this Court may be stated as follows: DID THE DEFENDANTS IN PLACING AN ADDITIONAL DEVELOPER TANK ON ONE OF THE FILM PROCESSING MACHINES AND USING IT FOR DEVELOPING NEGATIVE FILM ACT WITHIN THE LICENSE GRANTED THEM BY THE LICENSE AGREEMENT OF JUNE 26TH, 1925?

ARGUMENT.

THE LICENSE AGREEMENT.

POINT 1.

The License Agreement of June 26th, 1925, Is Essentially a License Under the Patents Enumerated Therein to Use Two Machines for the Development of Motion Picture Film, Such License Being Co-extensive With the Monopoly Granted by the Patents, and, in Addition, Any Improvements Thereon.

The "License Agreement" appears in the record beginning at page 23. After designation of the parties, the recitals show ownership of certain patents and applications, the latter having since issued as patents. (See Plaintiff's Exhibit No. 2 and Defendants' Exhibit "C," "D," "E," "F" and "G," Book of Exhibits, p. 16 *et seq.*)

Then follows [R. p. 25] a recital that "the party of the fourth part is desirous of acquiring a *license to operate two machines for treating, processing and developing photographic films*, which machines and apparatus connected therewith are the invention of the said Frederick B. Thompson, and the subject of the aforesaid patents and patent applications." (Italics ours.) (The party of the fourth part referred to being the licensee, William Horsley Film Laboratories, Inc.)

The above is followed by the recital that the licensee is desirous of having the licensors "construct and install" the two machines.

These recitals are followed by the *granting clause* which reads as follows:

“1. The parties of the first, second and third part do hereby grant to the party of the fourth part the right, liberty and license to use two machines *for treating, processing and developing photographic films* for the full term of any and all of the aforesaid patents granted to the party of the second part and all other patents that may be granted to the party of the second part on the aforesaid patent applications *or for any improvements thereon*, for the consideration, period of time and under the conditions hereinafter expressed.” (Italics ours.)

This clause is followed by the provisions relating to the construction and installation of the machines on the property of the licensee, the accounting and payment of royalties. Attention is called to the fact that in the granting clause of the license agreement, quoted just above, that the licensee is granted “the right, liberty and license to use two machines for treating, processing and developing photographic films for the full term of any and all of the aforesaid patents” and “for any improvements thereon.” Here is a specific grant of a right co-extensive with the monopoly of the patents, and, in addition, *the additional right to use any improvements thereon*.

Paragraphs 2, 3 and 4 relate to the building and installation of the two machines and are followed by clause 5. [R. p. 27.] Counsel for plaintiff, in his argument under “Point 3,” page 11 of plaintiff’s opening brief, omits from his quotation of clause 5 substantial matter materially bearing on the question here involved, the portion of the clause quoted by counsel reads in full as follows:

“* * * the party of the fourth part shall have the right to use, operate and maintain the said machines, *apparatus and equipment in the said labora-*

tory of the party of the fourth part and for the purposes of the business conducted by the party of the fourth part at its said laboratory in treating, processing and developing photographic films, and the parties of the first, second and third part agree to lease, and do hereby lease to the said party of the fourth part, the said machines and apparatus connected therewith for the purpose and for the terms above stated, and for the consideration hereinafter set forth."

The part omitted by counsel in his quotation is italicized in the above quotation, and has direct bearing on the questions here involved as setting forth the purposes for which the machines could be used under the license. The first omission in part reads—"for the purposes of the business conducted by the party of the fourth part at its said laboratory," and in the second omission the words "for the purposes and for the terms above stated" appear.

These clauses define the use of the machines and *place no limitation on what kind of film* could be developed by the licensee in the machines.

The Special Master found [R. p. 123] that the license granted was "to use the invention of several patents including, among others, the patents in suit and any future improvements," and the lower court found [R. p. 133], "that the license agreement authorized the use of two machines in the processing of films in any way so long as that use was within the description of the invention as disclosed by the patents which were referred to in the agreement."

A reference to certain of the licensed patents clearly shows that the machines shown therein could be used for treating both positive and negative film and that the in-

ventions of the patents are not limited to any particular size or number of tanks or any kind or size of film.

A brief reference to these patents reveals the following:

Patent No. 1,587,051, Defendant's Exhibit "G," Book of Exhibits, page 86, at page 92, lines 39 to 42 read:

"It is to be understood that the units employed in this apparatus are variable in size and shape."

Patent No. 1,328,464, Defendant's Exhibit "C," Book of Exhibits, page 44, at page 54, lines 44 to 50 state:

"it being understood, of course, that the construction of the embodiment illustrated and described may be changed and varied at will to suit the particular purpose for which the device is to be employed without departing from such invention as defined in the appended claims."

An examination of the licensed patents also discloses that such patents show different sized and differently constructed developing tanks. Patent No. 1,569,156 (Exhibit "F," Book of Exhibits, p. 76) shows a developer tank with two units therein, a unit being an upper and lower set of film carrying rollers, while patent No. 1,328,464 (Exhibit "C," Book of Exhibits, p. 44) shows a developer tank with only one unit.

The licensed patents cannot be construed as including any limitation as to being adapted to treat either negative or positive film, as, for instance, in patent No. 1,328,464 (Exhibit "C," Book of Exhibits, p. 44), it is stated on page 50, lines 13 to 15, that the invention relates to'

"apparatus for treating photographic film tape such as is used in the taking and projection of motion pictures."

This is also mentioned in the licensed Thompson patent No. 1,587,051 (Exhibit "G," Book of Exhibits, p. 86) and the licensed Thompson patent sued on. Anyone skilled in the art, to whom the patents are addressed, or in fact anyone in the general walks of life knows that film used in "taking" is negative film, and that film used in "projection" is positive film.

It is our contention that the license agreement is a grant to use two machines for processing motion picture film in any way so long as that use was within the description of the invention as disclosed by the patents which were set up as the basis of the grant in the license agreement, and that the only limitation of the use to which said machines can be put is that they must be used "for the purposes of the business conducted by the party of the fourth part at its said laboratory in treating, processing and developing photographic films," and that subservient to such grant the license agreement included terms for the installing of two machines in the plant by the party of the first part.

In construing the license agreement, the rules applicable to the construction of contracts generally apply, but it is also submitted that the rule stated by the Court in the case of *Ruckstell Sales and Mfg. Co. v. Perfecto Gear Differential Co.*, 28 Fed. (2nd) 407, at page 411, should be borne in mind which is stated as follows:

"And, under the rule of conduct imposed, any question of uncertainty respecting the exact limits of the rights described in the license contract would of course be resolved in favor of the licensee."

The Question of Infringement.

The charge of infringement is directed to the addition by defendants to one of the original machines, as installed, an additional developer tank.

Plaintiff, in its opening brief on page 6, under the heading "The Issues," states its contention in these words: "Plaintiff contends that adding the second developing unit and using it for developing negative film is an infringement of the patents in suit."

The film processing machine consists of a series of tanks through which the film being treated is successively passed over rollers. The tanks are for successively developing and fixing the film, there being shown, for instance, in the Thompson patent sued on (Plaintiff's Exhibit No. 2, Book of Exhibits, p. 16) ten of such tanks arranged side by side. The original identity of the machine remains as installed. To the end of the series of tanks and beside the original developer tank another developer tank was added by defendant William Horsley Film Laboratories, Inc.

Plaintiff has not set up all the patents of the license agreement in its Bill of Complaint, but relies upon one of these patents, to-wit, the Thompson patent No. 1,281,711 (Plaintiff's Exhibit No. 2, Book of Exhibits, p. 16), and the patent to Gaumont No. 1,177,697 (Plaintiff's Exhibit No. 1, Book of Exhibits, p. 1), the latter patent being a patent acquired by successors to the original licensors.

Plaintiff in its brief, at page 6, "concedes that, so long as the defendants acted within the lease and license agreement, they enjoyed by operation of law the protection of the Gaumont patent as well as the Thompson patents mentioned in the agreement."

POINT 2.

By Placing an Additional Developer Tank at the End of One of the Licensed Machines, and Then Using the Machine to Develop Negative Film, the Licensee Acted Within the Rights Granted by the License Agreement and, by so Doing, Has Committed No Act of Infringement.

The present owner of the patents involved herein (plaintiff) is now making separate machines for developing negative film and positive film, and receives a greater amount of royalty per foot of film for the negative machine than the positive machine. For this reason, plaintiff is attempting to evade the obligations assumed by it when it acquired the license agreement in controversy along with the ownership of the patents referred to therein, and seeks this means of having the license agreement terminated.

Plaintiff, in its opening brief on page 24, makes it a point (Point 8) that plaintiff receives a higher royalty for negative film than for positive film. There is no evidence that such was the case when the license agreement was entered into, so such fact has no bearing on the present controversy. It is important to note also that there is no evidence showing that the original licensor made separate machines for developing negative and positive film at the time the license agreement was entered into.

The original parties to the license agreement had no misunderstandings as to their intent and the meaning of the license agreement; it was made in good faith and complied with in all its terms and conditions by the licensee. The real complaint of the present owner, it now appears,

is directed to the use of the machine involved for developing negative picture film, in the face of the fact that *no limitation appears in the agreement as to the kind of film to be processed*, and in the face of the uncontradicted testimony of Mr. Horsley himself, one of the contracting parties, that the machines were

“intended to develop any kind of film that I chose to put on them.” [R. p. 88.]

The placing of an additional developer tank at the end of the machine did not change the function of the machine nor its mode of operation. All it did was to permit the film to remain for a longer time in the developing solution so that any film requiring a longer developing period could be accommodated on the machine. Both machines could be used for developing picture negative, according to the testimony, but the additional developer tank permitted such film to be handled in shorter time than in the old machine. This was nothing but facilitating the use of one of the machines in the business of the licensee.

Mr. Horsley testified [R. p. 91]:

“The method employed for developing negative film is the same as that employed for developing positive film, except for the longer period of time required for developing the negative. So far as the operation of the machines is concerned they are identical.”

Mr. George Seid also testified [R. p. 100] that the machine operated the same with the additional developer tank as the one without it.

The question resolves itself into this:

The plaintiff, having sued for infringement on *one of the licensed patents*, must now show *some limitation in the*

license and some act on the part of defendants outside of that limitation and yet within the patent to sustain the charge of infringement.

It is our contention that the licensee has the right to change the size of any tank, add additional rollers, adapt the rollers to carry different sized film, add a tank or tanks, as long as such additions or changes come within the licensed patents; in other words, the licensee may do whatever may seem advisable or necessary to improve the operation of the two machines, increase their capacity or do any other thing necessary for carrying out the business of the licensee in the treatment of motion picture film, regardless of whether it is negative or positive, or wide or narrow film. Let us suppose that the now standard 35 millimeter film should suddenly become displaced by film 65 millimeter wide, must the licensee discard the two machines, for which the sum of \$16,500.00 was paid, according to the licensee agreement, and get two new machines, or could the licensee place new and wider rollers on the machines? There is certainly nothing in the license agreement to prohibit such change.

A license under a patent grants immunity to the licensee from suit for infringement for those things done by the licensee under the license, and carries with it whatever further license may be necessary to make full enjoyment of the license effective.

As stated by the Circuit Court of Appeals for the First Circuit, in 280 Fed. 753, at page 758:

“It is a maxim of the common law that one, granting a thing, impliedly grants that without which the thing expressly granted would be useless to the

grantee. This maxim is as applicable to grants of patent rights as to other species of property. *Steam Stone Cutter Co. v. Shortsleeves*, 16 Blatch, 381 Fed. Cas. No. 13334; *Brush Elec. Co. v. California Elec. Light Co.*, 52 Fed. 945, 960, 3 C. C. A. 368.”

Plaintiff apparently does not, in fact, object to the act of the licensee in placing an additional developer tank on the machine, *but objects to the use of that machine for developing negative picture film.*

Now the evidence is that either machine, that is, the one with the additional tank or the one without such tank, can be used for developing negative picture film, the only difference is that it would take longer in the machine without the additional tank. However, plaintiff claims that the two machines were licensed only for development of positive film. *An examination of the license agreement discloses no limitation as to the kind of film to be treated other than “photographic film.”*

“Photographic film” is commonly understood to mean film such as is placed in a camera for picture taking, in other words, *negative film*. What has been referred to throughout the case as *positive film* is a print taken from the *negative* and used for projection of the picture. In one of the licensed patents, to-wit, No. 1,587,051 (Defendants’ Exhibit “G”) photographic film tape is defined as “such as is used in the taking and projection of motion pictures.”

Giving plaintiff the benefit of the doubt (if any exists), the term “photographic film” used in the license agreement may fairly be said to include positive film along with negative film.

At least six times in the license agreement the use to which the machines are licensed is stated as "for treating, processing and developing photographic films."

The only limitation in the license agreement on the use of the machines is stated as follows [R. p. 27]:

"the party of the fourth part shall have the right to use, operate and maintain the said machines, apparatus and equipment in the said laboratory of the party of the fourth part and for the purposes of the business conducted by the party of the fourth part at its said laboratory in treating, processing and developing photographic films." (Italics ours.)

Having been given the express license to use the machines for "developing photographic films," which includes both negative and positive film, the use of one or both machines for developing negative film is not an infringement of the patents in suit.

This leaves for consideration whether the act of building the additional developer tank and connecting such tank to the developer tank on the machine is an act of infringement. In an attempt to sustain this charge of infringement, plaintiff gropes blindly into the field of "repair and reconstruction" which is that branch of patent law relating to the rights of a person who has acquired a patented machine by absolute sale.

The facts in the present case in this connection are as follows:

The machine complained of remains the same as originally installed, and still has its original developer, fixing and washing tanks, etc. It has the same structure and the same mode of operation. What the licensee did was to make another developer tank and place it against the

first developer tank on the machine and run the film first through the new tank and then through the original machine.

The law of repair and reconstruction may be fairly stated as follows: The purchaser of a patented machine, by absolute sale, may repair broken and worn out parts so long as the original machine has not become so worn or destroyed as to lose its original identity, anything beyond repair, as defined, being unpermitted reconstruction.

In this case, the licensee has repaired the machine as required, which acts have not been questioned, but the licensee has not reconstructed the original machine *as it remains the same as installed*.

What the licensee has done is to improve the operation of the machine only as to time required for treating the film, in other words, improved the operation of the machine, which is permissible even in the case of an absolute sale, as enunciated by the Supreme Court of the United States in the case of *Mitchell v. Hawley*, 16 Wall. 544, 21 L. Ed. 322:

“Sales of the kind may be made by the patentee with or without conditions, as in other cases, but where the sale is absolute, and without any conditions, the rule is well settled that the purchaser may continue to use the implement or machine purchased until it is worn out, or he may repair it *or improve upon it* as he pleases, as in the same manner as if dealing with property of any other kind.” (Italics ours.)

One of the cases relied upon by counsel in his brief, under his discussion of “Point 7” (Plaintiff’s, Appellant’s brief, p. 21) recognizes that a purchaser may improve on

the purchased machine, to-wit, the case of *Miller Hatcheries Inc. v. Buckeye Incubator Company*, 41 F. 2nd (C. C. A. 8) 619, at page 621, states:

“The purchaser of a patented device has the right to repair the device by replacement of unpatented worn out parts; *he may also, within certain limits, change the device so as to make it adapted to his particular use.*” (Italics ours.)

In the present case the lower court found [R. p. 132]:

“The licensee did not reconstruct any of the principal parts of the machine nor alter its method of operation.”

In this case what the licensee did is not a patentable improvement. Plaintiff in its opening brief at page 20 states

“The negative machine is distinctly *not* a patentable improvement over the positive machine.”

Plaintiff also refers in this connection to the case of *George Close Company v. Ideal Wrapping Machine Company*, 297 F. 2nd (C. C. A. 1) 533. Neither of the above cases relied on by plaintiff is pertinent. *In both cases, the structure of the original devices were reconstructed*, but in the instant case, the original machine was not reconstructed and Judge James in his conclusions so stated.

We have sought a reported case in which the facts were parallel to those of the instant case but have found none, but, if the law pertaining to the rights of owners of patented machines acquired by absolute purchase is to apply to the present case, the fact that such law as stated by the Supreme Court in the case of *Mitchell v. Hawley* (quoted above) recognizes the right of such owner to improve the machine, or, as said in the case of *Miller Hatcheries Inc.*

v. Buckeye Incubator Company, above quoted, to “change the device so as to make it adapted to his particular use,” then the addition of a developer tank, as done by licensee in this case, is fairly within the rights of the licensee and not an infringing act.

Plaintiff in its precise statement (Plaintiff’s Opening Brief, p. 6) of what acts of defendants are charged to infringe does not charge that the making of the additional tank is an infringing act, but that adding the tank to the old machine and then using the machine for developing negative film, is an infringement.

On page 6 of plaintiff’s opening brief, counsel has stated that:

“The defendants admit that the altered machine and the use thereof is covered by the patents in suit, but assert that they acted within the said agreement of June 26th, 1925.”

This should properly be stated that defendants admit that the machine, either with or without the additional developer tank for processing either positive or negative film, is covered by the patents set up in the license, but assert that they acted within the license.

There has been no evidence introduced in this case to show that the individual developing tank made by the licensee is an infringement of any claim in *either* of the patents sued on. Placing the tank in connection with the original developer tank on the machine is not an infringing act, consequently, using the machine with its original mode of operation to develop photographic film, whether positive or negative, is clearly within the license and not an infringement of the patents sued on.

ACQUIESCENCE.

POINT 3.

Plaintiff's Predecessors, Having Had Knowledge of the Acts Complained of Herein and Acquiesced Therein, Plaintiff Is Bound Thereby.

This bill of complaint in this suit charged infringement, not only on account of the addition of a developer tank to one machine, but also on changes made to the film carrying rollers on one of the machines so that the machine could treat or handle a film of different width from that for which the machine was originally designed. When Mr. Horsley wanted to change the machine to handle 16 millimeter film as well as 35 millimeter film, he asked the licensor, Chester Bennett Film Laboratories, for parts, and was furnished with the parts.

When Mr. Horsley wanted to place an additional developer tank on the machine, he requested the same original licensee for parts, but was refused and told to write to George K. Spoor, who had, prior to this latter request, acquired the patents. Mr. Horsley testified: "I made it clear to them that I wanted to put on another section on the developing end of the machine so that I could develop negative film." [R. p. 92.] This was in May, 1929.

Mr. Horsley received no reply so he had the work done himself. *Mr. Horsley did not ask permission to develop negative film nor did he ask permission to add a developer tank.* He asked for parts from the natural source to get them, that is, from the parties engaged in building such parts.

Mr. Horsley acted within his understanding of the meaning of the license agreement and made the addition as

he believed he had a right to do. The licensor, well knowing what Mr. Horsley was doing, should *at that time* have objected, but, by remaining silent, the present licensor is in no position to protest.

Not only did the licensors not object to the licensee's use of the one machine for treating negative film, but the licensors accepted royalty payments for the negative film processed. [Testimony of Mr. Horsley, R. p. 94] during the two months after the developer tank was added until he left the Horsley Company in the fall of 1929.

ELECTION OF REMEDIES.

POINT 4.

By First Bringing Suit in the Superior Court on the License Agreement, Plaintiff Has Made Its Election of Remedies and Cannot Now Maintain a Suit for Infringement.

Plaintiff, in its opening brief, discusses this subject under Points 9, 10 and 11, beginning with page 25.

Under Point 9, plaintiff states that the question is not before this court as this court will not determine merits on which the trial court has not passed, citing the case of *Willard et al. v. Union Tool Company*, 8 Fed. 2nd (C. C. A. 9) 264. This case is not at all in point for the reason, as will appear from the opinion of the court, that the appellant in that case requested the District Court to deny his motion. Obviously, where a party in the trial court requests a particular ruling by the trial court, he cannot complain of the ruling upon appeal.

Under Point 10, plaintiff asserts that the pendency of a prior suit in a state court is not a bar to a suit in a Dis-

district Court of the United States by the same plaintiff against the same defendant “*for the same cause of action.*”

The rule does not here apply as the two actions in the present controversy are not “*the same cause of action.*” The state court action is based on contract; the action in the District Court is based on tort, and, for this reason, the cases cited by plaintiff are not in point.

Under Point 11, plaintiff states that no election of remedies occurred because plaintiff’s two suits are not inconsistent. It is submitted that a reference to the complaint filed by appellant in connection with the Superior Court action, which said complaint is attached to the answers of appellees and therein marked and referred to as Exhibit “B” [R. p. 46], will affirmatively show that appellant, in the action in the state court, brought its suit directly upon the contract as for a breach of the contract and in its prayer for relief asked the court to decree that defendant in that action be required to account to the plaintiff (appellant here) for all photographic film developed, processed or treated in and by the said two machines. The prayer for relief in the state court action likewise sought a declaration by the court that the license agreement be terminated and that the court further make a declaration of the rights and/or duties of the said parties to the said license agreement.

This is a positive showing that in the state court action the identical acts which are alleged to be acts of infringement in the case at bar were alleged and set forth in the action in the Superior Court in a cause of action based on the contract. Plaintiff, appellant here, sought relief in the state court action directly upon the contract and, hav-

ing done so, it elected its remedy and should be barred from pursuing the action in the case at bar.

In the case of *Indiana Manufacturing Co. v. Nichols & Shepard Co.*, 190 Fed. 579, at page 583, the Court stated:

“I think the patent lessor who conceives that the lessee is operating outside of the agreed field has his election. He may disregard the license and proceed as for infringement; or he may, if he can show that he has no sufficient legal remedy, demand from a court of equity a decree for specific performance. He cannot do both, because the two are distinctly inconsistent.”

A recent case of *American Pastry Products Corporation v. United Products Corporation*, 39 F. (2nd) 181, is that a party cannot rely on the same act as a tort and a breach of contract. This case reviews the Supreme Court decisions and other cases and states as follows:

“The proper test is, I think, that, if there is an outstanding license on the face of which the defendants’ conduct is authorized, in other words, if it is within the scope of the license, the matter is one of contract, and infringement proceedings against the licensee cannot succeed. The effect of such an agreement is to supersede the injunction *pro tanto* as long as the agreement continues in force. It cannot be open to the plaintiff to hold onto the injunction, and at the same time agree that it may be violated, nor to use the court’s writ as a means of punishment for breach of contract. Nor can the plaintiff rely on the same act as being both a tort and a breach of contract. This is so, not because of the artificialities of pleading—as to which see a strikingly able and complete note to *Cockerell v. Henderson*, 50 L. R. A.

(N. S.) 3—but for a much deeper reason, viz., that the law will not permit a party to maintain inconsistent positions on matters of fact, asserting one thing today and another thing tomorrow. Cases collected 4 L. R. A. 148 note. There are many common instances of this rule. Familiar ones are that a party who has waived a tort and sued in assumpsit for the damages cannot thereafter sue in tort for the same injury, nor vice versa; and that, if a contract be fraudulently procured, the injured party cannot have both an action upon the contract and an action in tort for the fraud. Cases on alternative remedies collected 4 L. R. A. 145, note.

The present plaintiff may have been entitled to elect whether to hold the contract or to forfeit it, as was said in *Lockett v. Delpart, supra*; but he cannot have it both ways.”

CONCLUSION.

It is submitted that Judge James in his conclusions quite properly and fully disposed of plaintiff's claim. His conclusions are sound, both in fact and law, and should receive the approval of this Honorable Court by its affirmance of the decree entered herein.

Respectfully submitted,

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